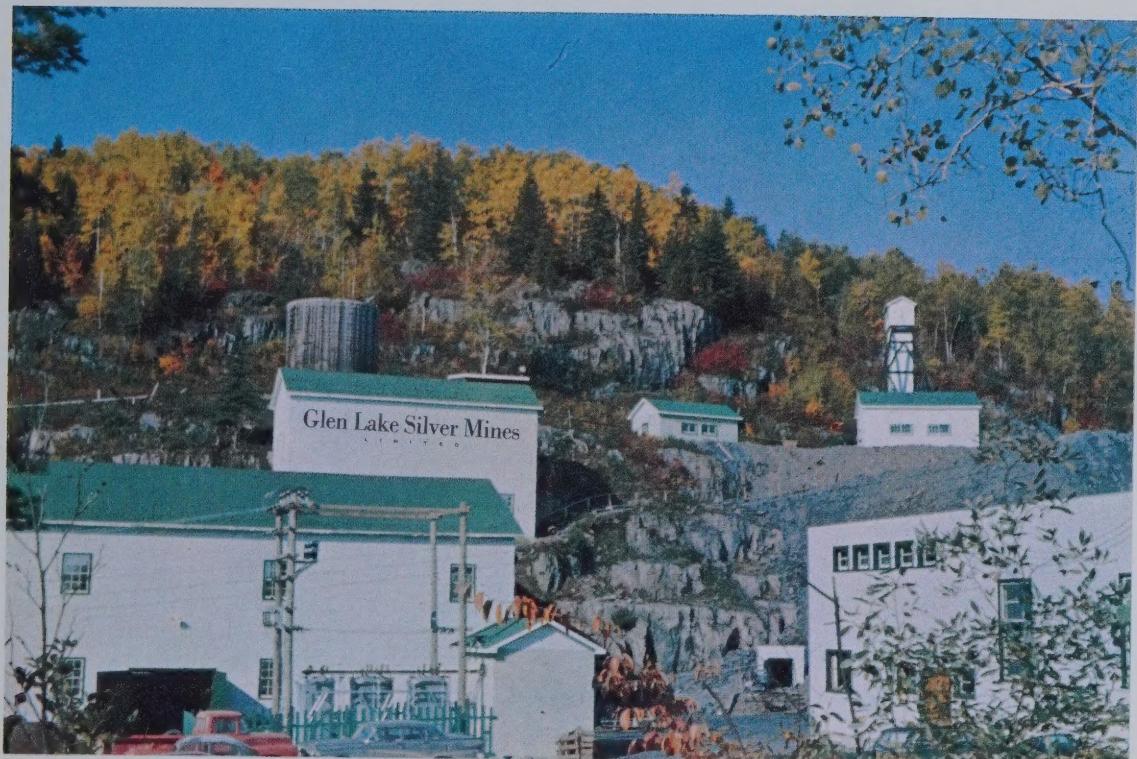


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Glen Lake Silver Mines

L I M I T E D

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Annual Report
to the Shareholders

GLEN LAKE SILVER MINES LIMITED

<i>Directors</i>	GEORGE E. BUCHANAN, <i>Toronto, Ont.</i> FRANK CADESKY, <i>Toronto, Ont.</i> A. J. FORTENS, <i>Toronto, Ont.</i> R. J. JUBY, <i>Beaconsfield, P.Q.</i> R. J. MURPHY, <i>Oshawa, Ont.</i>
<i>Officers</i>	GEORGE E. BUCHANAN, <i>President</i> R. J. MURPHY, <i>Vice-President</i> FRANK CADESKY, <i>Secretary-Treasurer</i>
<i>Head Office</i>	<i>100 Adelaide Street West, Toronto, Canada</i>
<i>Mine Office</i>	<i>Cobalt, Ontario</i>
<i>Transfer Agent & Registrar</i>	GUARANTY TRUST COMPANY OF CANADA, <i>Toronto, Canada</i>
<i>Auditors</i>	FISHER, NISKER & COMPANY, CHARTERED ACCOUNTANTS <i>Toronto, Canada</i>
<i>Solicitors</i>	SALTER, REILLY, JAMIESON & APPLE <i>Toronto, Canada</i>

GLEN LAKE SILVER MINES LIMITED

TO THE SHAREHOLDERS:

It is with the greatest of pleasure that I submit herewith on behalf of your Directors our First Annual Report.

Our mill at Cobalt, Ontario, finished its tune-up or breaking in period on July 31st, 1962, and accordingly this Annual Report reflects operations for the first official year of production. The year has been a most successful one in that all of the debt we incurred in constructing the mill has been repaid, substantial cash reserves have been earned and the payment of dividends initiated.

Development

During the twelve month period ending July 31st, 1963, our mill treated a total of 29,018 tons of ore from which we produced 1,247,638 ounces of silver. Due to the geology associated with the Cobalt Mining Camp ore reserves are normally developed as production proceeds. Glen Lake is most fortunate in the ore it has developed, and at the end of June, 1963, a special report by our geological consultants placed our reserves at 38,632 tons estimated to contain 1,615,000 ounces of silver. As a result of operations carried on during the last six months your management believes that the six months' ore milled during this period was replaced by newly developed ore reserves, and that our ore reserves still

stand at substantially the same figure as estimated by our consultants as at June, 1963.

New Property Development

At the Special General Meeting of Shareholders held in June, approval was given to our acquiring all of the issued shares of Hiho Silver Mines Limited, which is now a wholly-owned subsidiary of your Company. Surface diamond drilling on the Hiho properties has been undertaken with most encouraging results. Our engineers have recommended underground work and plans are currently being made in this regard. There is an old shaft on the property which we will use if it can be properly rehabilitated, otherwise a new shaft will be sunk. Your Directors attach the greatest of importance to the Hiho properties since the development of ore on these claims will add to our over-all ore reserves thus prolonging the Mine's life.

Taxation

As stated in our Interim Report to Shareholders issued in April of this year, the Canadian Income Tax Act grants new mines coming into production a three year period of freedom from corporate income taxes. Your Company duly filed the appropriate application in this regard and our tax free period has been settled with the Department to commence August 1st, 1962. Your Directors accordingly fixed the

GLEN LAKE SILVER MINES LIMITED

Company's fiscal year to end July 31st, 1963 since the one year period thus covered corresponds with our first year of freedom from federal corporation income taxes. When our three year exemption from Federal corporate income taxes ends, we are permitted to claim depreciation on our mill and plant and write off the expenses incurred in bringing the mine into production (preproduction expenses) as well as deducting a generous annual allowance for depletion. If an economic orebody is developed on the Hiho properties your Directors believe that same will also qualify for a three year period of freedom from taxation.

Silver Prices

When our mill was brought into production in 1962 it was quite apparent that silver prices were due to increase substantially. This was attributable to the fact that world demand was and had been far exceeding world production for some period of time. In our April Interim Report we included a graph depicting the rises which had occurred in the price per ounce of silver, and additional increases since that time have occurred. Despite these price increases there is still a large gap between world production and consumption. At the present time legislation in effect in the United States has placed the United States Treasury in the position of filling world demand for silver at the fixed offering price of \$1.293 (U.S.) per ounce. It is not our

part to comment upon the wisdom of this legislation which came into effect many years ago when present world conditions could not have been foreseen. Suffice it to say that without the present U.S. Treasury offerings of silver at a fixed price, the world price for silver would greatly increase, and accordingly one might not unreasonably suppose that Congress will take steps to stop the subsidizing of silver consumers both domestic and foreign. Under these circumstances one can only conclude that additional and substantial price increases are indicated.

Earnings

The Consolidated Balance Sheet as of July 31st, 1963 reproduced in this Annual Report reflects the operations of your Company and its wholly-owned subsidiary, Hiho Silver Mines Limited. Production of silver ores has been solely from Glen Lake's properties but development work has been proceeding on the Hiho claims as indicated earlier in this Report. The expenses of this development work are represented as charges or deductions from income in the financial statements.

The Consolidated Statements of Operations shows a net operating profit for the twelve months ending July 31st, 1963 of \$775,424 before accounting charges or write-offs of \$131,871 for depreciation and amortization. Operations for the four months' period

GLEN LAKE SILVER MINES LIMITED

ending November 30th, 1963 showed a profit before depreciation and write-offs of \$205,236.

In view of our Company's complete freedom from debt and the proven earning power of the mine, this past fall saw the inauguration of dividend payments with an initial dividend of 10¢ per share being paid to our Shareholders. Your Directors believe that a regular and generous dividend policy should be implemented during the current year. Your Directors are most gratified with results to date which in no small part are attributable to the loyalty and co-operation of the staff at the mine.

Traditionally, meetings of shareholders are sparsely attended. This is most unfortunate since the annual meeting represents the

best opportunity for the stockholders to meet their Directors and ask questions concerning the Company and its affairs. We hope that as many of our Shareholders as possible will endeavour to attend our Annual Meeting; however, if you are unable to be present you are requested to sign and return your proxy in the enclosed envelope in order that you may be represented at our Meeting.

Respectfully submitted,

On behalf of the Board,

GEORGE E. BUCHANAN,

President.

Toronto, Ontario,

January 6th, 1964.

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ASSETS

CURRENT ASSETS

Cash	\$115,356.79
Smelter settlements outstanding	292,754.82
Concentrates on hand and in transit, at estimated net realizable value	211,218.34
Loans receivable from an associated company plus \$1,068.84 accrued interest thereon	134,268.84
Receivables from associated companies	28,420.22
Other receivables	3,529.14
	\$ 785,548.15

FIXED ASSETS

Mining leases (Note 2)	\$ 4.00
Unpatented mining claims (Note 3)	295,895.03
Buildings, machinery and equipment, at cost	\$302,274.42
Less — accumulated depreciation (Note 4)	72,925.63

DEFERRED EXPENDITURES AND OTHER ASSETS

Development and preproduction expenditures (Schedule "A")	\$176,836.45
Development and exploration on properties held by subsidiary company (Schedule "A")	54,745.99
Mine supplies, at average cost	30,961.72
Refundable deposits	10,064.03
Prepaid expenses	8,961.24
Incorporation and organization expenses	10,690.93
	292,260.36

Approved on behalf of the Board of Directors:

G. E. BUCHANAN, Director.

FRANK CADESKY, Director.

\$ 1,603,056.33

The accompanying notes are an i

AUDITO

To the Shareholders of
Glen Lake Silver Mines Limited.

We have examined the consolidated balance sheet of Glen Lake Silver Mines Limited and the consolidated statement of operations for the year then ended. Our tests of accounting records and other supporting evidence as we considered

In our opinion the accompanying consolidated balance sheet and consolidated statement of operations for the year then ended are in accordance with the books and records of the company as at July 31, 1963 and the results of their operations for the year then ended.

Toronto, Ontario,
September 26, 1963.

MINES LIMITED

(the Province of Ontario)

SUBSIDIARY COMPANY

Balance Sheet

July 31, 1963

LIABILITIES

CURRENT LIABILITIES

Wages and employees' deductions payable	\$ 15,582.19
Royalties payable	48,912.60
Accounts payable	113,733.65
Estimated liability for Ontario mining taxes	41,300.00 \$ 219,528.44

CAPITAL AND SURPLUS

CAPITAL STOCK (Note 5)

Authorized:

5,000,000 shares, par value \$1.00 each

Issued or to be issued:

1,800,005 shares for cash	\$ 1,800,005.00
Less — discount	1,320,000.00
	<hr/>
900,000 shares for mining claims	\$ 900,000.00
Less — discount	810,000.00
	<hr/>
400,000 shares to acquire all of the shares of the company's subsidiary	\$ 400,000.00
Less — discount	200,000.00
	<hr/>
<u>3,100,000 shares</u>	<u>\$770,005.00</u>
 EARNED SURPLUS	 613,522.89
	<hr/>
	<u>1,383,527.89</u>
	<hr/>
	<u>\$ 1,603,056.33</u>

part of the financial statements.

REPORT

Mines Limited and its wholly-owned subsidiary company as at July 31, 1963
The preparation of the financial statements included a general review of the accounting procedures and such
circumstances.

The statement of operations present fairly the financial position of the
year ended, in accordance with generally accepted accounting principles.

FISHER, NISKER & COMPANY,
Chartered Accountants.

GLEN LAKE SILVER MINES LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY

Consolidated Statement of Operations

FOR THE YEAR ENDED JULY 31, 1963

REVENUE

Production of concentrates, flotations and metallics \$ 1,676,095.76
 Less — smelter and other marketing costs \$127,311.10
 — royalties 154,075.39 281,386.49 \$ 1,394,709.27

OPERATING EXPENSES

Mine development	\$ 203,758.26
Mining	111,119.41
Milling	119,789.57
General and office expenses at the property	46,247.91
General and administrative expenses	92,469.46
Ontario mining taxes — estimated	45,900.00
	619,284.61

OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION CHARGES . . .

Deduct — depreciation of buildings, machinery and equipment \$ 72,925.63
 — amortization of preproduction expenditures 58,945.48 131,871.11

OPERATING PROFIT

Deduct — outside exploration expenditures 30,030.66

NET PROFIT FOR THE YEAR (Note 6)

NOTE — The above statement of operations does not include the expenditures of the company's wholly-owned subsidiary, since all the expenditures of the subsidiary (which is in the exploration and development stage) are being deferred to future operations.

GLEN LAKE SILVER MINES LIMITED
 AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY

SCHEDULE "A"

Schedule of Deferred Development
and Pre-production Expenditures

FROM INCEPTION (JUNE 2, 1960) TO JULY 31, 1963

Expenditures on the Bailey Property:

Surface exploration	\$ 34,008.19
Underground development, including rehabilitation and dewatering	121,222.74
General and office expenses at the property	17,233.15
	<u>\$172,464.08</u>
Outside exploration expenditures	\$ 4,694.35
General and administrative expenditures	40,089.84
Mill opening expenses	18,533.66
	<u>63,317.85</u>
TOTAL EXPENDITURES TO JULY 31, 1962	\$235,781.93
Less — 25% charged to operations	58,945.48
BALANCE AT JULY 31, 1963	<u>\$176,836.45</u>

Deferred Development and Exploration Expenditures
on Properties Held by Hiho Silver Mines Limited

FROM FEBRUARY 22, 1963* TO JULY 31, 1963

Surface exploration	\$ 20,158.19
Underground development, including rehabilitation and dewatering	7,097.36
General and office expenses at the property	1,228.44
Annual lease rentals	26,000.00
Administrative expenses	262.00
	<u>\$ 54,745.99</u>

* February 22, 1963 is the incorporation date of Hiho Silver Mines Limited.

GLEN LAKE SILVER MINES LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY

Notes to Consolidated Financial Statements

JULY 31, 1963

NOTE 1 — Subsidiary company

The consolidated balance sheet includes the accounts of Glen Lake Silver Mines Limited and its wholly-owned subsidiary, Hiho Silver Mines Limited. This subsidiary was incorporated as a private company on February 22, 1963 and its working capital requirements are being provided by advances from Glen Lake Silver Mines Limited.

NOTE 2 — Mining leases

The following is an analysis of the mining leases held by the company and its subsidiary as at July 31, 1963:

(1) A lease on two parcels of mining lands, known as the "Bailey Property" in the District of Temiskaming, Ontario (held by the parent company).	For accounting purposes this lease is recorded at a nominal value of	\$ 1.00
(2) Leases on certain contiguous parcels of land in the District of Temiskaming, Ontario (held by the subsidiary company).	For accounting purposes the leases were recorded at nominal value of	2.00
(3) A lease on four parcels of land in the District of Temiskaming, Ontario (held by the subsidiary company).	For accounting purposes this lease was recorded at a nominal value of	1.00
		<u>\$ 4.00</u>

The lease shown under (1) above (which is the company's producing property) was acquired by an agreement dated February 1, 1961. This lease is for a period of ten years from the date of the agreement, subject to the right of renewal. The lease provides for an annual rental of \$1,000.00 and a royalty of 10% of net smelter returns received from ores removed from the mining lands and sold.

The leases shown under (2) above were acquired by agreements dated March 13, 1963 and May 9, 1963. These leases are for a period of five years, renewable for further five year terms. The leases provide for annual rentals of \$16,000.00 payable in advance and a royalty of 10% of the net smelter returns on all ore shipped from the mining properties. The annual rentals will be applied in reduction of the royalty payments payable to the lessor.

The lessor has granted the subsidiary company an option to purchase the mining lands covered by the leases, at any time up to three months before the expiry of the leases or any renewal thereof, for the sum of \$325,000.00 (\$250,000.00 for the lands covered by the lease dated March 13, 1963 and \$75,000.00 for the lands covered by the lease dated May 9, 1963). All rents and royalties paid to the lessor during the period may be applied on account of the purchase price.

Under the terms of the leases the subsidiary company is committed to expend on exploration, development and mining operations on, in and under the mining properties a minimum of \$70,000.00 within the first two years of the leases of which half thereof must be expended within the first year.

The lease shown under (3) above was acquired by an agreement dated May 17, 1963 for an initial period of two years from the date of the agreement. The lease provides for an annual rental of

\$10,000.00 payable in advance and a royalty of 10% of the net smelter returns on all ore shipped from the mining property. The annual rental will be applied in reduction of the royalty payments payable to the lessor.

Under the terms of the lease the company is committed to expend a minimum of \$25,000.00 during each of the years of the two year period (a total of \$50,000.00 in exploration, examination and development of the leased property).

If the company has performed all of the terms of this agreement and has expended a minimum of \$100,000.00 in exploration and development during the first two years of the lease, the lease may be renewed for a further period of one year, subject to the same terms and conditions, and such renewal lease will contain a covenant by the company to carry out exploration and development work to a minimum expenditure of a further \$25,000.00 during such year. If at the end of the third year a cumulative total of \$150,000.00 has been expended by the company on exploration and development, the lease may be renewed for an additional year and thereafter the company shall be entitled to further one year renewals of this lease on the same general terms and conditions, for a maximum of ten years (including the two initial two year terms) provided that the company shall in each renewal covenant to spend a further \$25,000.00 during each renewal year, and must prove the cumulative expenditures by the end of such renewable years of the following amounts: by the end of the fourth year, \$200,000.00; by the end of the fifth year, \$250,000.00; by the end of the sixth year, \$300,000.00; by the end of the seventh year, \$350,000.00; by the end of the eighth year, \$400,000.00; and, by the end of the ninth year, \$450,000.00.

NOTE 3 — Mining claims

The unpatented mining claims held by the company and its subsidiary as at July 31, 1963 are recorded as follows:

At valuation attributed to 900,000 shares of Glen Lake Silver Mines Limited capital stock issued in consideration for claims	\$ 90,000.00
At valuation attributed to 1,999,997 shares of Hiho Silver Mines Limited issued in consideration for claims	199,999.70
At cost of staking additional claims	5,895.33
	<u>\$295,895.03</u>

NOTE 4 — Depreciation on buildings, machinery and equipment

Allowance for depreciation is provided for at the rate of 25% per annum on the cost of the buildings, machinery and equipment situated on the company's producing property, commencing from August 1, 1962.

NOTE 5 — Donated shares

Of the 900,000 shares of capital stock issued for mining claims, 10,000 shares were donated back to the company by the vendors. These shares are held in escrow and are registered in the name of the Guaranty Trust Company of Canada as trustee to be dealt with only on the written direction of the company and the Ontario Securities Commission.

NOTE 6 — Income taxes

No income tax is payable because of the three year exemption period granted to mining companies under the provisions of the relevant Tax Acts. The company has been notified by the Department of National Revenue that the three year period of tax exemption commences August 1, 1962.

NOTE 7 — Remuneration of directors

Remuneration paid to directors, for their services as directors, for the consolidated companies amounted to \$1,050.00 for the period from inception to July 31, 1962 (preproduction period) and \$5,450.00 for the year ended July 31, 1963.



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